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Citation: Rogers, Beth and Rodrigo, Padmali (2015) An exploratory study of factors influencing make-or-buy of sales activities. *Strategic Outsourcing: An International Journal*, 8 (2/3). pp. 229-261. ISSN 1753-8297

Published by: Emerald

URL: <https://doi.org/10.1108/SO-07-2015-0016> <<https://doi.org/10.1108/SO-07-2015-0016>>

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Title: An exploratory study of factors influencing make-or-buy of sales activities: the perceptions of senior sales managers

Acknowledgements: The authors are grateful for the support of the Sales Education Foundation in part-funding the collection of data for this research.

We would also like to thank the editor and the anonymous reviewers for their valuable suggestions on the revision of this article.

## **1. Introduction**

Despite the importance to shareholders of companies being able to grow without resorting to acquisitions (Favaro *et al.*, 2012) examination of the sales function forms a relatively small and declining body of literature (Plouffe *et al.*, 2008; Avlonitis & Panagopoulos, 2010). In particular, the role of outsourcing in the sales function is overlooked (Anderson *et al.*, 2003; Rapp, 2009). Only a handful of empirical studies since 1985 specifically address sales outsourcing (Anderson, 1985; Wilson & Zhang, 2002; Krafft *et al.*, 2004; Unal & Donthu, 2014). These previous studies have examined “all or nothing” sales outsourcing in limited contexts from a particular theoretical lens. It has been observed that the sales function largely escaped the trend towards outsourcing in the 1990s (Anderson *et al.*, 2003). Moreover, sales outsourcing has not been addressed previously by an in-depth qualitative cross-sectoral study.

Against this backdrop, this study explores the perceptions of senior sales managers (an ultra- elite as defined by Zuckerman (1972)) regarding the factors that influence make-or-buy in their resourcing decisions. This is a contribution to the call for more research on the sales function (Marshall & Michaels, 2001; Plouffe *et al.*, 2008; Mantrala *et al.*, 2010). This study explores the factors that influence resourcing choices based on propositions derived from three theoretical perspectives,

namely transaction cost economics (Coase, 1937; Williamson, 1975), the resource-based view (Wernerfelt, 1984) and the real options theory (Sanchez, 1993). The extant outsourcing literature indicates a number of moderators that affect the relationship between factors that influence the make-or-buy decisions and final decisions to make-or-buy. These moderators have not yet been consolidated into a single “make-or-buy” study of sales (Anderson, 1985; Anderson *et al.*, 2003). Therefore, to fill this gap, this study also seeks to explore factors that moderate outsourcing behaviour.

From a theoretical perspective, these findings will make a contribution to outsourcing theory by examining it in the context of a customer-facing function where outsourcing is relatively under-used. The sales function is one where wholesale outsourcing of the function is rare, even though companies might outsource all of their logistics or facilities management. The granular use of outsourcing (out-tasking) (Krishnamurthy *et al.*, 2009) which appears to be the normal approach in sales outsourcing (Rogers, 2008), enables a rich discussion about make-or-buy. Furthermore, it is expected that the findings of the present study will make a contribution to practice by offering sales managers some preliminary propositions for decision-making which can support the optimisation of resourcing options.

## **2. Literature review**

Outsourcing can be used to create value and drive innovation (Lacity & Willcocks, 2014). In the sales function, the use of sales agents (also known as manufacturers’ representatives and contract sales organisations) in market entry is one of the most long-standing applications (Anderson & Coughlan, 1987; Peng *et al.*, 2006). Product launches are also a time when additional flexible sales resource is required (Anderson & Trinkle, 2005; Rogers, 2008). The impact of using contract sales organisations in on-going customer relationships has been briefly explored (Palmatier *et al.*, 2007). Strategic

challenges such as making marketing plans work (Bonoma, 1984), improving the supply chain (Christopher & Ryals, 1999; Wong *et al.*, 1999), and internal change management (Colletti & Chonko, 1997), invite the consideration of sales outsourcing, but it is an option rarely studied in depth (Dishman, 1996; Rogers, 2008; Rapp, 2009).

Several economic and strategic theories have been applied to aspects of outsourcing (Busi & McIvor, 2008). Transaction cost economics is most frequently applied (Murphy *et al.*, 2012; Mugurusi & de Boer, 2013). TCE is the theoretical lens applied in seminal works on sales outsourcing (Anderson, 1985; Krafft *et al.*, 2004). Krafft *et al.* (2004) compared TCE with agency theory, noting similarities in predictors, and finding that factors solely associated with agency theory were not influential in the make-or-buy decision in sales. Resource advantage theory has been used in Unal & Donthu (2014) and resource-based view was considered alongside TCE in Wilson and Zhang (2002). Arguably, there are similar predictors in RBV, core competency theory (Prahalad & Hamel, 1990); industrial economics (Porter, 1985) and strategic management (Quinn & Hillmer, 1994), i.e. that valuable, differentiating competences will be in-sourced. TCE and resource based view (RBV) have been combined in seminal works on outsourcing decision models (Arnold, 2000; Verwaal *et al.*, 2008; McIvor, 2009; Neves *et al.*, 2014).

Given the introduction of flexibility as a motivation for sales outsourcing in Rogers (2009) and findings supportive of real options in the case of international market entry (Brouthers *et al.*, 2008) and customer relationship management (Graf *et al.*, 2013), this lesser-used theoretical lens might also be useful in an exploratory study of make-or-buy in sales, especially given the weakness of TCE's predictive power regarding business uncertainty (Carter & Hodgson, 2006, Lacity *et al.*, 2011), specifically in sales outsourcing (Anderson, 1985; Krafft *et al.*, 2004).

Convincing arguments for combining TCE, the RBV and real options (RO) theory in the case of outsourcing and optimising organisational design have been made by Foss (1998) and Leiblein (2003). It can be insightful to explore the different perspectives that managers use in their decision making (Reuer *et al.*, 2011). Hätönen and Eriksson (2009), reviewing 30 years of outsourcing literature, argue that there are three core reasons to outsource: for cost-savings, for capability enhancement and for process improvements to gain flexibility. Therefore, this combination of theories should enable the broadest possible exploration of the motivations of senior sales managers in make-or-buy decisions.

### *2.1 Transaction cost economics (TCE)*

Although highly likely to be a primary consideration in practice, production cost comparisons are treated fairly briefly in most outsourcing theory. Tangible cost differences are still a dominant factor in the 21st century business case for particular types of organisational structure (Fan, 2000). Notably, cost leaders in markets have a higher outsourcing intensity (Martinez-Sánchez *et al.*, 2007). There is empirical support for the dominance of cost/price considerations in motivating outsourcing of activities (Kakabadse & Kakabadse, 2002; Kremic *et al.*, 2006). The escalating cost of selling has been highlighted as a reason for firms to consider outsourcing (Anderson *et al.*, 2003). Sales managers expect contracting out to cost less than the employment of salespeople, even if they have another primary motivation for it (Rogers, 2009). Cost/price comparisons are likely to be made when outsourcing sales activities, and are highly likely to be part of the on-going measurement of success (Spriggs, 1994).

Transaction cost economics has been positioned both as an alternative to production cost comparison and as a supplement to it; of particular interest in this study is the possibility that

transaction costs may be a subsequent consideration (Williamson & Ghani, 2012), and therefore a moderating factor.

Transaction costs are the costs of governance which is a source of what practitioners might label “hidden costs” (Barthélemy, 2001). The principles of transaction cost economics require the cost of controlling resources post-contract to be considered. In meta-analyses of empirical studies (Rindfleisch & Heide, 1997; David & Han, 2004; Geyskens *et al.*, 2006), transaction cost theory has convincing support.

Many key studies of sales outsourcing or vertical integration of channels (Anderson, 1985; Brettel *et al.*, 2011; Dutta *et al.*, 1995; John & Weitz, 1988; Krafft *et al.*, 2004; Majumdar & Ramaswamy, 1994; Rangan *et al.*, 1993; Shervani *et al.*, 2007; Unal & Donthu, 2014) have examined the “make-or-buy” decision in sales from a transaction cost point of view and concluded that where transaction costs exist, sales will be insourced. Anderson (1985), whose work has been acknowledged by Williamson and Ghani (2012) as most influential in applying TCE to marketing issues, found that the strongest effect in predicting internal or outsourced salesforce is difficulty in evaluating performance, associated in TCE with “behavioural uncertainty”. This was reinforced by Krafft *et al.* in 2004; it was also the strongest indicator of vertical integration of channels in a large sample, cross-industry study by Majumdar and Ramaswamy (1994).

However, there are nuances which qualify this strong theme. Some third party salespeople do identify with the brands they represent and work harder for the brands with which they feel the strongest link (Hughes & Ahearne, 2010). Also, within organisations, sales employees’ goals may be only partly congruent with their employer (Jelinek & Ahearne, 2006). Therefore, the relationship between the costs of behavioural control and insourcing requires deeper exploration. Thus, it is proposed that:

*P1: Comparative cost of resource options will be a primary factor in “make-or-buy” decisions in the sales function.*

*P2: The ease with which resource options can be controlled will be a primary factor in “make-or-buy” decisions in the sales function.*

## *2.2 Resource based view (RBV)*

Another strong theme in TCE is that vertical integration is needed to leverage specific assets, but Williamson (2002) conceded that organisational knowledge and learning are dealt with in only a limited way by TCE. Carter and Hodgson (2006) recommended that human asset specificity should be a separate construct, aligned with competency. Skill has been described as the only thing that is specific about salespeople (Anderson, 1985). Skills are recognised as rent generators in the resource-based view (Newbert, 2008), and some sales skills have particular value (Menguc & Barker, 2005). The RBV focuses on the role of specialised capabilities as a source of value creation for firms (Wernerfelt, 1984; Grant, 1991). Although the view that capability is something beyond asset specificity is held strongly (Barney, 1999), the asset specificity argument within TCE has been aligned with competency (Argyres & Zenger, 2007) and this was a conclusion in one study of sales outsourcing (Wilson & Zhang, 2002). It is probable that the comparative skill level of resource options is a factor in “make-or-buy” decisions in the sales function.

If the resources a company utilises in a specific activity are unique, the less likely it is to be outsourced (Espino-Rodriguez & Padrón-Robaina, 2006). Some studies have focused on the importance of which skills must be kept within the firm to defend its differentiation (Watjatrakul & Drennan, 2005; Safizadeh *et al.*, 2008), since workers with very specific skills can be mobile (Battu *et al.*, 2002). Although many firms access what they perceive to be specialist and focused selling skills

from third parties (Novick, 2000; Weinrauch *et al.*, 2001), it is the firm-specific skills of salespeople that accrue highest value (e.g. Galunic & Anderson, 2000). These skills may be associated with knowledge of the nature of the company, its products and customers (Krafft *et al.*, 2004), or they may be more specific to the individual's relationships within the firm (Menguc & Barker, 2005).

Previous studies from TCE and RBV viewpoints have identified specificities or competences that seem to restrict a firm's likelihood to outsource. These include company nature (Anderson, 1985), collective learning (Prahalad & Hamel, 1990), organisational identity (Santos & Eisenhardt, 2005), firm characteristics (Oh, 2005) and strategic orientation (Rapp, 2009). Relevant studies have tested the length of time that a salesperson would need to get to know "the way we do things" as an indicator of the relevance of brand ambassadorship in a salesperson's skill set. The complexity of the product/service portfolio is also an indicator of skills/knowledge value (Anderson, 1985; Wilson & Zhang, 2002; Krafft *et al.*, 2004). The degree to which organisations value customer relationships is a factor which has a particular resonance for the outsourcing or otherwise of customer-facing activities. The major studies of sales outsourcing found that knowledge of customers and relationship-building ability are strongly associated with sales insourcing (Anderson & Schmittlein, 1984; Anderson, 1985; Wilson & Zhang, 2002; Krafft *et al.*, 2004).

Furthermore, studies of manufacturers' representatives/sales agents and employed salespeople have acknowledged the value of integrating sales activity with the rest of the organisation, sometimes identified as team selling (Jackson *et al.*, 1999; Tellefsen & Eyuboglu, 2002). Menguc and Barker (2005) found that the collaborative skills of the salesperson within his/her own company was the most significant and direct relationship with sales performance. Therefore, it is interesting to pursue this aspect of sales skills, especially as Williamson (1979) posited that most skills are transferable apart from inside knowledge and team dynamics. This aspect of a salesperson's skills



has attracted theoretical comment (Wilson & Millman, 2003; Plouffe & Barclay, 2007) and some empirical support (Liu & Leach, 2001; Tellefsen & Eyuboglu, 2002).

Nevertheless, knowledge-based activities are being outsourced (Sen & Shiel, 2006) and contract sales organisations are involved in team selling (Jackson *et al.*, 1999). These exceptions are worthy of exploration alongside the organisational form that RBV predicts. Additionally, the utilisation of external skills to develop future capabilities (Ansoff, 1957) warrants consideration. Thus, it is proposed that:

*P3: The comparative skill level of resource options will be a primary factor in “make-or-buy” decisions in the sales function.*

### *2.3 Real options theory*

TCE assumes that in an uncertain business environment, activities should be insourced. From a practitioner view, outsourcing and particularly offshoring, can increase risk and constrain agility (Downey, 1995; Whitmore, 2006). Klein *et al.* (1990) find support for this view in a study of export markets and Stapleton and Hanna (2002) find support for it in the shipping industry. There is also contrary evidence. Qualitative studies (Schuster & Keith, 1993; King, 2006; Rogers, 2009), a modelling study (Alvarez & Stenbacka, 2007) and quantitative studies (Schilling & Steensma, 2002; Miranda & Kim, 2006; Díez-Vial, 2007; Martínez-Sánchez *et al.*, 2007; Li *et al.*, 2010) suggest that an uncertain business environment will prompt companies to outsource more activities to reduce risk.

Real options theory has been considered complementary to the RBV and TCE (Foss, 1998; Lieblein & Miller, 2003). “Real options” brings a “dynamic dimension” to theories of the firm (Foss, 1998, p. 2). Managers should be concerned with building flexibility as a capability (Scott *et al.*, 1988; De Leeuw &

Volberda, 1996), as it can lead to improved competitiveness (Sawnhey, 2006; Fantazy *et al.*, 2009).

“Firms increase their chances of success by having a range of options that enhance flexibility”

(Fredericks, 2005, p. 563). Flexibility is defined as the ability to adapt, in the short-term, medium-term and long-term, in response to known and unknown events, proactively or reactively and internally or externally (Golden & Powell, 2000). The term is used interchangeably with “responsiveness” and “agility” (De Leeuw & Volberda, 1996, p. 121).

In the case of sales outsourcing, sales agents absorb considerable risk for their clients; in the US manufacturers’ representative model, the “rep” assumes all selling costs (Anderson & Trinkle, 2005). Brouthers *et al.* (2008) explain that real options would recommend an external solution whenever the outcome of an opportunity is particularly uncertain. A single sector qualitative study noted sales managers citing flexibility as a primary rationale for outsourcing sales (Rogers, 2009). Options are needed if flexibility is regarded as a strategic imperative.

Williamson and Ghani (2012) noted that “real time responsiveness often trumps steady-state equilibrium considerations” (p. 78). Outsourcing or out-tasking some activities on some occasions are options that sales managers might use in pursuit of better control of limited resources in uncertain conditions. These cases can be contextualised in an exploratory study. Thus, it is proposed that:

*P4: The comparative speed and flexibility in deployment of resource options will be a primary factor in “make-or-buy” decisions in the sales function.*

## 2.4 Moderators of resourcing decisions

Models of make-or-buy propose a variety of moderating factors, which may be constructs drawn from TCE (Espino-Rodríguez, & Lai, 2014) or RBV (Tseng & Chen, 2013), institutional factors (Ang & Cummins, 1997; Graf & Mudambi, 2005) have also been proposed. Anderson *et al.* (2003) proposed several inhibitors to the outsourcing of sales activities. Three important themes were mentioned in this paper which linked to Anderson's original work in 1985: perceptions of an imperfect supply market, perceptions of different competences in managing third parties and perceptions that sales outsourcing is not legitimate. Although common to all make-or-buy decisions, these factors require specific exploration in the sales context.

A simple and obvious inhibitor to outsourcing is a manager's perception of the availability of suitable contract sales organisations (Anderson, 1985). Lonsdale (1999) is quoted widely for advising that firms should not outsource into a limited supply market. Purchasing theory devotes considerable attention to calculating and minimising exposure to supply market constraints (Kraljic, 1983).

In her seminal study in 1985, Anderson pointed out that the ability to manage manufacturers' representatives may be a moderating factor in sales outsourcing activity. There is empirical support that the capability of managers to manage outsourcing is a moderating factor for a variety of outsourcing categories (Leiblein & Miller, 2003). There is also evidence that the ability to outsource delivers better performance from outsourcing (Kakabadse & Kakabadse, 2002; Daugherty *et al.*, 2006), and that lack of it contributes to failure (Alexander & Young, 1996). Sales managers' control competences are an important moderating factor in the successful implementation of strategy where salespeople are employed (Piercy *et al.*, 2012). It seems logical that the same should be true with contractors or a mix of resources, and that investigating this potential moderating factor would be worthwhile.

Companies may modify their outsourcing behaviour to reflect “industry norms”, even though misalignment of activities and governance forms are likely to lead to lower profitability and failure (Macher & Richman, 2008). Uncertainty in the business environment seems to encourage imitation of perceived industry benchmarks (DiMaggio & Powell, 1983; Kock, 2005; Miranda & Kim, 2006). In the case of sales outsourcing, Weiss et al. (1999) found that perceptions of the relative reputational capital of their employer versus competitors was relevant to sales managers’ decisions about using manufacturers’ representatives. They would not outsource if they perceived that “best practice” companies did not outsource. Managers of functions at the customer interface must also be aware of evidence that insourcing appears to be correlated with better customer satisfaction (Graf *et al.*, 2013), and that outsourcing per se is viewed negatively (Lacity & Rudramuniyaiah, 2009). Research also provides evidence that agents can provide equal or better value to customers (Guenzi & Troilo, 2007; Palmatier et al., 2007); they are a better option for accessing prospective customers (Chen *et al.*, 2014); the agent has a reputation to consider as well (Mukherji & Ramachandran, 2007); and the customer does not necessarily want direct contact with a manufacturer (Wuyts *et al.*, 2004). Nevertheless, the reputational risk of outsourcing customer relationship handling is worthy of exploration.

In summary, three major theories which are applied to organisational design, supplemented by earlier discussion of moderating factors, provide a comprehensive framework for an exploratory study of the relatively under-used phenomenon of outsourcing sales activities. Hence, concerning the moderators it is proposed that:

*P5: The availability of suitable suppliers will be a moderating factor in “make-or-buy” in the sales function.*

*P6: The ability to manage alternative resource options will be a moderating factor in “make-or-buy” in the sales function.*

*P7: The perceived “legitimacy” of resourcing options will be a moderating factor in “make-or-buy” in the sales function.*

### **3. Method**

Anderson *et al.* (2003) posited that the “make or buy” decision in the sales function is one that is strongly influenced by the personal preferences and perceptual bias of the sales director, and that this topic would be an emotive one for sales managers. Therefore, it was the search for subjective views – specifically the perceptions that sales managers have about the factors that influence their resourcing choices and the benefits they would expect from them – that drove this research. Leading on from the theories examined, this was a study exploring optimal behaviours within the bounded rationality of the participants. Practical acts, accessed through narratives, reveal meaning and can increase understanding and identify patterns (Crist & Tanner, 2003). Anderson *et al.* (2003) observed that sales directors have “inordinate influence” (p. 1) and that the rest of the organisation accepts their recommendation on the structure of the sales function “without sufficient challenge” (p. 1). This is consistent with definitions of “elites” as people who exercise power and have influence (Woods, 1998; Undheim, 2003). The extant literature exploring the conduct of research with elite respondents suggests that gaining access is particularly challenging (Harvey, 2011; Goldman & Swayze, 2012; Nudzor, 2013). Consequently, the first challenge was recruiting suitable participants.

The unit of analysis in the study is senior sales managers with responsibility for the effectiveness and efficiency of the sales function of their organisation, or part of it. In particular, the key sampling

criterion was to access senior sales managers who had several years' experience of making resourcing decisions. The Office of National Statistics recorded 142,000 full-time marketing and sales directors in August 2015. However, since only 0.5% of UK companies employ more than 250 employees (ONS, 2010), the number of sales managers supervising substantial sales functions could be much smaller. The aim was to achieve a sample that was purposeful (Hoepl, 1997; Baxter & Eyles, 1997) and achieved data saturation through number of words as well as number of respondents (Onwuegbuzie & Leech, 2007). The sample was taken from senior sales managers with diverse profiles to ensure that multiple perspectives were captured. For the purpose of this study, it was considered as important to interview sales managers who did not outsource sales activities as well as those who did, as their responses could shed light on the inhibitors to outsourcing. This is consistent with "deviant case analysis" recommended by Seale & Silverman (1997) and Baxter & Eyles (1997). It was also considered desirable to select respondents from a variety of business-to-business sectors, since most sales outsourcing studies have been single-sector.

Respondents were accessed by networking methods including leveraging institutional affiliation (Institute of Sales and Marketing Management, Sales Leadership Alliance, alumni of MA Sales Management), leveraging the credentials of the researchers and using the personal connections of respondents (snowballing) (Welch et al., 2002). This gave the sample a bias towards thought-leaders in the profession. However, given the aim of the study to capture perceptions, it was considered advantageous to interview those who might be influencing their peers.

Of 231 sales managers invited to participate, 34 volunteered to do so (15%). Carter *et al.*, (2008) found that response rates in marketing and sales research dropped from 30% to 18% between 1990 and 2005, with sales studies having an average of 15%. Therefore, this response rate appears to reflect the average for this topic area. 29 interviews were completed and analysed. Of these 29, all had experience of outsourcing some sales activities, although 28% were not outsourcing at the time

of interview. 34% were outsourcing selectively (up to 10% of activities) and 38% were regularly outsourcing. A cross-sectoral sample was achieved in order to enhance the richness of the data and the potential usefulness of the emerging themes. Most (24) were working for companies in the top ten in their sub-sector. All had more than 5 years' experience in a senior sales management role and 68% had more than 10 years' experience. Although some had international responsibilities, all were UK nationals.

A number of steps were taken to minimize bias in the collection of the data. Firstly, the questions were designed to reflect constructs derived from the literature review. The interview guide had four sections titled costs, control, skills and flexibility. Prompts for the moderating factors were integrated within the four sections. The interviewers were asked to rotate sections so that no particular section was affected by participants' fatigue. An expert panel was consulted to check the interview guide. Participants were given access to the questions prior to interview, which has been recommended as a means of obtaining more in-depth data (Burke & Miller, 2001). A team of three third party interviewers were engaged to conduct the interviews, with a researcher occasionally on the call (with the consent of the participant) for quality control purposes. This step was designed to encourage consistency in adherence to the guide (Baxter & Eyles, 1997). Specific prompts for depth of feeling were designed into the guide. After the researcher had listened to the interviews, summaries were sent to the interviewees to check that their words had been interpreted fairly and to enable them to provide additional reflective comment. This verification step was designed to ensure the authenticity of the data (Lincoln & Guba, 1986; Seale & Silverman, 1997; Baxter & Eyles, 1997).

"Telephone interviews with elite and ultra-elite respondents are a valid and useful methodological tool that can provide important data for geographically-dispersed samples" (Stephens, 2007, p. 203). Given the evidence that telephone interviewing results in comparable quality data and has some

specific contextual advantages, especially for respondents with busy schedules, it was the medium chosen for the interviews (Novick, 2008; Glogowska *et al.*, 2010; Trier-Bieniek, 2012). The duration of the telephone interviews was 45-75 minutes, which is acceptable for the medium (Wäppling *et al.*, 2010; Harvey, 2011). Experienced telephone interviewers were used. They had been trained in the Code of Conduct of the Market Research Society. They had the ability to establish rapport quickly, detect auditory cues and respond to them (Hill *et al.*, 2005; Novick, 2008).

Filtering and familiarity questions were applied in the recruitment of respondents, to ensure they had relevant experience. Contextual questions such as firm characteristics and propensity to outsource were used to establish rapport. Open-ended questions were followed up by prompts or specific questions. Respondents were asked why they held an opinion, and how strongly (Gallup, 1947). Care was taken to legitimise a “no opinion” response (De Vaus, 2002). Open questions and prompts were linked to particular theories and prior research findings, but phrased in general business terminology. To ensure that the wording was appropriate, the questionnaire was adjusted after it had been reviewed by a panel including two sales managers, two sales trainers, two academics and a specialist interviewer (Foddy, 1993; De Vaus, 2002). One additional adjustment was made after a pilot test of five interviews had been conducted.

Authenticity is a key concern for qualitative research (Lincoln & Guba, 1986; Seale & Silverman, 1997). Summary reports of each interviewee’s responses were sent to them to provide an opportunity to check that the researcher had understood their narrative and to provide reflective comment (Welch *et al.*, 2002). This contributed to the interpretive validity of the data, and was a conduit for post-research support from the researchers. Subsequent interim reports and invitations to discuss the modified model of resourcing decisions provided valuable verification for researcher and respondents. Baxter & Eyles (1997) argue that this “member checking” is one of the most important strategies for enhancing validity.



The method of data analysis chosen was directed content analysis, a deductive approach in which theory precedes and guides analysis (Hsieh & Shannon, 2005). This was also consistent with the inclusion of open and closed questions within the discussions with participants. The process followed was familiarisation, condensing and coding, sorting into categories, identifying themes, mapping and interpreting and revision of theory (Pope *et al*, 2000).

Following immersion in the raw data through listening to recordings and reading the transcripts, first level coding was undertaken. Initially themes derived from the literature review were used to identify codes. Text searches and word frequency queries were used to enhance manual coding and ensure all relevant data was captured wherever it occurred. Matrix and compound coding queries were used to explore patterns in the data. The use of Nvivo queries was important in minimizing the potential bias of the researcher which she acknowledged as favourable to outsourcing (Lewis, 2009). Regular consultations with an Nvivo trainer and a senior researcher were also undertaken. Nvivo was also used to track coding decisions and concept-building, and ensure an audit trail from the data to the model (Bringer *et al.*, 2004). Over 150,000 words were analysed and 6,264 Nvivo references were identified. Data saturation had been reached after 18 interviews as no new codes were generated thereafter.

Care was taken to ensure that contexts per unit of text and its latent sense were analysed, and that text negating theory and non-textual signals were not overlooked (Lincoln & Guba, 1986; Frankel & Devers, 2000; Kohlbacher, 2006). The coded units were sorted into categories and sub-categories, with some concepts requiring five levels of coding. Care was taken to ensure all data fitted into at least one category. "Creating categories is the core feature of qualitative content analysis." (Graneheim & Lundman, 2003, p. 107). Categories were refined and reduced where possible.

Measures such as frequency of codes within categories were used to identify themes, which were used to map the scope of the findings and to model the patterns within them (Pope *et al.*, 2000).

#### **4. Findings and discussion**

All respondents had made a variety of resourcing decisions over their careers, and had experience of outsourcing. There is much evidence in the sample of a pattern called “out-tasking” (Krishnamurthy *et al.*, 2009), “granularity” (Watjatrakul & Drennan, 2005) or “chunkification” (Aron *et al.*, 2005). Hybrid or partial arrangements are the norm, and it is activities perceived as tactical that are more likely to be outsourced (Novick, 2000). Some respondents were familiar with outsourcing a substantial proportion of sales activities and an interesting minority did outsource the management of key accounts in response to the challenge of accessing relevant skills.

Six core themes emerged from discussions which were broadly consistent with extant literature, but depth of understanding was achieved concerning the positioning of the concepts as antecedents or moderating factors in resource decisions.

##### *4.1 The role of cost in sales resourcing decisions*

Pressures to reduce costs were mentioned by eight (28%) respondents as a key challenge, and eighteen (62%) reported frequent discussion of sales costs. This is consistent with Groth and Kinney’s (1994) assertions about the importance of cost control in company performance.

Nevertheless, a significant minority (38%) of the respondents reported that they had the luxury of working in organisations where the cost of selling was not a major concern. Views on the importance of cost reduction were polarised. For six (21%) respondents, cost advantage was the key antecedent in sales resourcing decisions, and for a different six (21%) it was the least important consideration in

sales resourcing decisions. This was an indicator that the sales resourcing decision is probably more multi-faceted than in many other functions in the firm.

Insert table 1 about here

Kakabadse & Kakabadse (2002) and Kremic *et al.* (2006) noted that cost reduction is the main benefit sought from outsourcing. In this sample, the opinion that more outsourcing decreased costs and that less outsourcing decreased costs were both observed. This seems to have resonance with the findings of Mpoyi & Bullington (2004) who found that changing the degree of vertical integration of a company seemed to improve productivity, but it was unclear whether more or less vertical integration was better. Each company's context can be different.

The sales managers of two cost leader firms reported relatively high levels of outsourcing in their sales function, consistent with the findings of Martinez-Sánchez *et al.* (2007) that cost leaders have a higher outsourcing intensity and Jiang *et al.* (2006) that firms who make extensive use of outsourcing have a significant cost advantage. (E.g. "To keep costs off our balance sheet, and head count off our balance sheet, we've always employed external agencies." R26).

Ross *et al.* (2005) claimed that imperfect information about resource costs will lead to flawed decisions in favour of in-house. There was evidence in this study that lack of information was a problem. Only eight (28%) respondents felt that they had enough information on which to make cost comparisons. Twenty (69%) respondents said that they did not have enough information on which to base a cost comparison of employees versus contract sales organisations. Of those who were positive that they had enough information on which to compare the costs of different resourcing options, half were using contract sales organisations extensively but not all of them perceived contractors to be cheaper. Firms who have developed competences in managing third parties seem

to have fewer problems with monitoring costs (consistent with the findings of Lieblein & Miller, 2003).

Although contexts vary, there is a clear indication that cost is a core element in the any decision-making model for the sales function, and proposition 1 was supported by the data. The lack of costing information about sales outsourcing options warrants further research. Hence we propose the following for future research:

*P1: Comparative cost of resource options will be a primary factor in “make-or-buy” decisions in the sales function.*

#### *4.2 The role of skills in resourcing decisions*

“There’s no shortage of supply; it’s quality that’s the problem.” (R7).

Insert Table 2 about here

Availability of skills was the most frequently quoted challenge respondents faced. Perceptions of a “skills gap” were evident. 19 (66%) respondents commented on the impact of sales skills (or lack of them) on the business. As one respondent explained: “Skills and aptitude, it’s what I’m looking for first, because that’s got the highest impact on our reputation.” (R7). One commented: “The practice of hiring senior sales people or indeed any salesperson, is not something that is easy” (R6); similarly: “If you need to change and build a skill set, that’s going to take probably a year or two” (R27). As Ansoff (1987) noted, there is a time lag in developing new skills internally.

52% of the respondents regarded skills as the priority in making resourcing decisions. They appeared to make competency-based judgements about which sales activities to outsource: “Where we have got an internal skill gap” (R27); “Where we identify areas where we don’t have the skill set internally” (R20). Where companies are outsourcing sales activities, it is usually those activities are perceived to require tactical selling skills. For example in healthcare, where detailing new treatments to General Practitioners is outsourced frequently, while relationship-building with large decision-making units in hospital trusts is usually insourced (Rogers, 2008).

Consistent with Hamel & Prahalad (1994) and Holcomb & Hitt (2007), it was apparent that outsourcing was a means of acquiring skills that would be difficult to develop internally, or it could be used to create a mix of internal and external skills that would be beneficially dynamic. Noticeably, respondents who felt that they were better than competitors on revenue growth or winning new customers appeared to be using higher levels of outsourcing.

Although it has been observed that just having a directly employed sales force does not create superior value (Guenzi & Troilo, 2007), 24 (83%) respondents felt that employees were more skilled than contractors. This was the case in some instances where respondents had substantial experience of both, and data to compare. This suggests that respondents tended to agree that if a resource is firm-specific or unique, in-house gives better results (Espino-Rodríguez & Padrón-Robaina, 2006; Geyskens *et al.*, 2006).

Customer knowledge, leading to the development of strong relationships with customers, was considered most important for employed and contracted salespeople, but formal training about customers was limited. Respondents perceived that selling has become more complex, with “solutions” being required more than products (a trend identified in the key account literature, e.g. Ryals & Holt, 2007). One respondent explained: “ten years ago, people would go out and buy a

simple box to do a test. Now they are looking for solutions to improve the process” (R9). The topic of skills evoked some strong statements from respondents, such as: “Essentially it is the promotion of our added value proposition and I feel very strongly about it” (R21); “If you haven’t got the right person, and you haven’t got the right skills, then the rest of it is irrelevant, and all your costs will go through the roof and you wouldn’t end up getting what you were wanting (strongly felt)” (R29).

Despite the general strength of feeling about the value-adding capabilities of employed staff, three instances of outsourcing “core” sales activities, such as key account management, were observed: “There are some things where we just intellectually even don’t have the capability internally (which is not a skill that we have within our employee base) so that would sometimes go out...to the agency” (R27). Access to external talent can overcome internal constraints to growth (Kor & Mahoney, 2004). These exceptions reinforced the need for deeper exploration of the availability of skills in the contracting or recruitment market.

Perceived skills deficiencies in contractors were often given as a reason for not outsourcing a particular activity. Some respondents felt that employed salespeople usually get more training and development, so they would be expected to have better skills: “I do feel quite strongly that they are much more competent because of the level of investment I make in them” (R7); “The clinical knowledge or the technical knowledge of the in-house guys, it probably tends to be greater... a product of the fact that the in-house guys have probably had a longer, more in-depth training programme” (R25). Sales outsourcing studies (Anderson, 1985; Wilson & Zhang, 2002 and Krafft *et al.*, 2004) all found that where a high level of training is needed, sales would be insourced, and respondents in this study tended to follow that trend.

The desire for salespeople immersed in the company culture and with specific technical knowledge is not surprising in most business-to-business sectors. Nevertheless, respondents seemed to be

impressed with the core selling skills of contract sales organisations and were combining contractors and employees in the sales process with a view to getting the best productivity.

Overall, it seems that most respondents took a resource-based view approach to “make-or-buy”, but at a granular level; they were looking at skills per customer segment or process step. There was sufficient breadth and depth of feeling on the topic to support the proposition that comparative skills are a primary consideration in a sales resourcing model. Hence, we propose the following for future research:

*P2: The comparative skill level of resource options will be a primary factor in “make-or-buy” decisions in the sales function.*

#### *4.3 The role of flexibility and choice in sales resourcing decisions*

Although not always a priority, the issue of resource flexibility was frequently mentioned by respondents. There were a number of references to the need to change resourcing models, consistent with assumptions made in the literature that changing resource patterns to respond to environmental change is the most important role of strategy (Snow *et al.*, 2005; Shimizu & Hitt, 2004).

Insert table 3 about here

Some respondents were turning to contractors to help with short-term surges in demand, consistent with literature suggesting that volume flexibility positively affects a firm’s competitiveness (Jack & Raturi, 2002; Sawhney, 2006), and specifically the view that resourcing options help to build a firm’s capabilities (Foss, 1998).

Insert table 4 about here

The need to “flex” sales resources as market conditions change is a classic strategic challenge (Shimizu & Hitt, 2004). 72% of respondents were partially outsourcing, and there were some indications that respondents were using “real options” to be responsive to market conditions and to improve competitiveness (Sanchez, 1993; Golden & Powell, 2000; Alvarez & Stenbacka, 2007).

Twelve respondents defended employed salespeople’s ability to adapt and to improve their productivity. They apparently agreed with Coase (1937) that employees are the most adaptable organisational form. Some mentioned that crisis conditions in the economy had been instrumental. Examples given were office moves and accepting pay cuts. Like others in the labour market, salespeople adjusted to the fall in output in 2008 and 2009 through slower (or negative) earnings growth (ONS 2010/11).

For others, contractors had a role. Fourteen (48%) respondents focused on the contribution that they can make to achieving rapid change.

Insert table 5 about here

Getting something done quickly seems to be a frequent antecedent for the use of carefully pre-selected contract sales organisations. Most respondents had experienced short-term contracting out of particular tasks. Difficulties in acquiring resources to address new opportunities might be a strong incentive to using a third party/contractor. Choice of resourcing options, as advocated in real options theory, can maximize opportunity (Sanchez, 1993; Foss, 1998; Anderson, 2000; Sharma & Mehotra, 2007). A few respondents also commented on the ability of third parties to help minimise



their financial risk in tough economic times. They mentioned similar sacrifices to those offered by employed staff. These comments are consistent with observations that financial risk can be shifted to contractors (Anderson & Trinkle, 2005). This is a key benefit predicted by real options theory - the risk of addressing an opportunity is minimised by a resourcing choice that enables commitment can be postponed (Anderson, 2000).

Prioritising flexibility in supplier choice has been observed to have a favourable impact on performance (González-Benito, 2010). Both outsourcing of non-core tasks and internal flexibility are associated with better performance (Martinez-Sánchez *et al.*, 2007). Similarly, respondents seem to have coaxed flexibility from employed salespeople and built more flexibility into their resourcing model with tactical use of contract sales organisations. Irrespective of whether employees or contractors are expected to provide it, flexibility appears to have a primary role in a sales resourcing model. Nevertheless, for future research we propose that:

*P3: The comparative speed and flexibility in deployment of resource options will be a primary factor in “make-or-buy” decisions in the sales function.*

#### *4.4 The role of control in sales resourcing decisions*

In the case of studies of sales outsourcing (Anderson, 1985; Krafft *et al.*, 2004), there is an indication that work that is easily measured, i.e. measured by short-term outputs, is most suitable for outsourcing. Respondents mentioned a number of measurements such as call rates, appointments made, conversion rates, sales volume and gross margin. One respondent mentioned key performance indicators which encompassed outcomes and behaviours, but most users focused on outcomes, which are easier to measure. Respondents who made extensive use of contractors perceived contract performance as a fairly easy mechanism.

“We contract for a certain level of performance and they have to deliver it.” R8

“We always have in an allotted timescale with a clear objective, whereas sometimes within a (internal) sales function, I don’t believe objectives are, well, set correctly.” R15

“I have....us(ed) an outside sales source, for a very short time, but only on the basis that we get a strict return on investment.” R17

“The contract sales people, I have to say they are generally focussed on activity, hitting the numbers.” R2

These comments are consistent with the view that relationships with contractors have to be highly structured to be successful (Barthélemy & Quélin, 2006; Daugherty *et al.*, 2006).

Overall, sales managers perceived employed salespeople to be easier to control. The nature of the written contract was not necessarily the main issue for sales managers in resource deployment. The “psychological contract” (Schein, 1979) observed between employees and their employers may be very relevant in the sales function, although more has been written about the salesperson’s trust in the manager (e.g. Flaherty & Pappas, 2000) than the sales manager’s pride in his/her ability to lead and motivate their team. “I have always seen my role as a sales leader to be deployed as a coach” (R6). Another explained: “Looking to improve people’s performance and develop them as individuals...that’s very key to managing an employed sales force” (R10).

In general, respondents were confident about their success with customers, regardless of outsourcing pattern. Outsourcers had confidence in their control mechanisms, as expected by studies of relational governance (Mohr & Spekman, 1996; Judge & Dooley, 2006). Nevertheless, some respondents perceived very specific moral hazards for companies using third parties to work

with their customers and five respondents gave specific examples of contractors' staff failing to observe ethical codes.

The discussion of reputational risk seemed to be strongly linked and associated with the preference for behavioural control. Respondents wished to avoid the contractual hazards (Mayer & Salomon, 2006) and vulnerability (Mantel *et al.*, 2006) predicted by transaction cost economics (Williamson, 1975). For example, "in the first place they might give you the best people to work on a particular project, but over time...sometimes the quality can be dropped off" (R19).

Ford *et al.* (1993) noted that "loss of control" (p. 211) was the main dis-benefit of buying-in resources rather than employing salespeople, even where cost calculation suggested that outsourcing was desirable. The desire for control clearly plays a role in resourcing decisions. While not expecting respondents to volunteer their own ego or empire-building as reasons for insourcing, if a power angle was relevant, it might have been expected to emerge. Enjoyment of the role of coach is evident. However, when respondents were prompted to comment on the degree to which control issues had any impact on their sourcing behaviour, the answers were generally neutral (only one respondent described it as a priority in sales resourcing). Many perceived that controlling/motivating internal teams was not necessarily any easier. The benefit of exploring the concept with respondents was identification that reputational risk seems to be playing an instrumental role in a desire for control. It may be perceived to be the principle at the core of the importance of control in "make-or-buy" decisions about the sales function. Therefore the initial proposition about the role of control was amended and we propose the following for future research:

*P4: The degree of reputational risk perceived by the sales manager will be a moderating factor in resourcing decisions in the sales function*

#### *4.5 The role of the supply market in sales resourcing decisions*

Anderson (1985) suggested that some sales outsourcing decisions were influenced by the availability of suitable manufacturers' representatives. Respondents were prompted to comment on how easy it was to find contractors, and also how many companies they could name. Most respondents commented favourably about the availability of contract sales suppliers or similar options. There was some contextual detail worth noting, such as two commenting that quantity was not a problem, but quality of supply was a problem. Both the availability of suppliers (Ventovuori, 2006) and quality of suppliers (Espino-Rodriguez & Padrón-Robaina, 2004) is relevant to propensity to outsource.

Although an increase in number of contract organisations was noted, the nature of supply is still considered flawed in most sectors, as most suppliers are very small and do not have the scope to help larger firms. However, there were a few very positive comments about available contractors, and the majority of respondents seemed to suggest that the availability of contractors was at least as good if not better than the availability of candidates for permanent positions. The recruitment market was also considered to be flawed. Sixteen (55%) respondents mentioned difficulties finding candidates for permanent positions. "It's been more difficult to get the right calibre of salesperson...than I have ever experienced before. It's been high volume in the market place, but low quality" (R7). Reasons for difficulty varied, including geographical constraints (the size of the job market in particular localities), the quality of candidates available, the constraint of needing industry-specific knowledge and the pay expectations of candidates.

Regardless of market conditions, eleven (38%) respondents commented about the amount of management effort involved in recruitment. Typical comments included: "There's a lot of my time and management team's time goes into making sure we're getting the right people" (R7); "I think

matching and recruiting current staff is extremely time consuming” (R12); “You've got to go through a much more detailed interview process, selection process” (R22); “Recruiting is hard work and very time intensive” (R27).

Availability of suitable sales staff may not be particularly better than access to suitable contractors. Arguably, there is just a poor market for sales skills (CFA, 2012). Insourcing from a limited supply market (quality and quantity) may be just as problematic as outsourcing into a limited supply market. The need to acquire skills may be an antecedent of a make-or-buy decision in the sales function, but the availability of skills is a moderating factor, as either or both the contract sales supply market and the recruitment market may be flawed. Hence, for future research, it is proposed that:

*P5: The availability of suitable contractors and/or job candidates will be a moderating factor in resourcing in the sales function*

#### *4.6 The role of managerial skills in sales resourcing*

Guenzi and Troilo (2007) found that the quality of sales management was more important than the type of sales force in delivering customer value. Motivating salespeople was often cited by respondents as a key challenge; “Maintaining the morale and keeping people motivated... was the most difficult part” (R1); “Internal sales people are much more difficult to manage and motivate” (R8) and “We have struggled with getting the buy-in” (R20). One respondent noted the frustration of motivation when external factors are difficult: “Fluctuations in demand ... really caused me my greatest problems around motivation, morale and changes” (R28).

Nevertheless, the amount of time spent in monitoring behaviour and performance of employed

salespeople, and improving it through coaching and development, are not trivial. Just as companies do not often have accurate measures of the real transaction costs of dealing with third parties, Anderson (1985) argued that the hidden costs of internal operations are difficult to measure. As noted above, most respondents commented on enjoying their role as developers of salespeople, but sales managers have to work very hard with salespeople to establish trust (McNeilly & Lawson, 1999; Choi *et al.*, 2004).

Managing third party sales channels is a specific skill, different from managing employed salespeople and different from standard supplier management that could be handled by the purchasing function (Magrath & Hardy, 1987; Novick, 2000; McQuiston, 2001). A lack of capability is likely to lead to problems (Alexander & Young, 1996; Cox *et al.*, 2004; Ngwenyama & Sullivan, 2007). Respondents recognised that managing third parties was a different and difficult skill set (Fan, 2000). Consistent with Handley and Benton's (2009) findings, where good relationship management had been achieved, there was support for contract sales organisations reducing transaction costs and risks, such as saving time for sales managers: "If you've got good partners externally and they run a tight ship, it can be very easy; it can be a very smooth process" (R26) and "We currently work with around a hundred different (third parties) across the country, and we couldn't manage a hundred sales people" (R10).

This study supports the view that different types of sales force require different management competences. From a theoretical point of view, the characteristics of good relational management outlined by Mayo *et al.* (1998), including appropriate rewards, training, and information exchange, do not seem so different from the characteristics of good management of salespeople. However, the difference between working with individuals, and working with other firms, mattered to many respondents.

Experience of managing third parties and success are linked (Díez-Vial, 2007). One respondent commented: “When I first came into management I felt it was very difficult to control contract organisations, but having more experience it’s just as easy really” (R2). Others expressed reservations: “You have to have a lot of patience dealing with a third party.... more than you do with your own people” (R4).

*P6: The ability to manage alternative resource options will be a moderating factor in resourcing decisions in the sales function*

#### *4.7 Summary*

The discussion of sales managers’ priorities when making resourcing decisions has created insight into reasons that prompt resource choices and factors which modify choices. Access to skills was the dominant antecedent, followed by cost and flexibility.

Control was not a priority, which was the first indication that it might be playing a different role in the resource decision-making process. The concern with behavioural control noted in the literature suggests that the desire to control sales resources, whether employees or contractors, is prompted by something more than observance of contract terms. Where reputable contract sales organisations have been managed well, it appears that contract terms have been met. It is qualitative aspects of performance that are the most difficult to measure. Respondents were prompted to talk specifically about ethical behaviour. In a separate section, respondents were prompted to discuss their attitudes to industry norms and their reputation with customers, and a link between the two themes emerged. It is therefore proposed that the degree of behavioural control required, which might be measured by perceptions of reputational risk, is a primary moderating factor in the “make-or-buy” decision.

Other moderating factors emerging from the literature were also important. Both the ability to manage outsourcing, which seemed to be associated with expectations of good performance from outsourcing, and perceptions about the supply market for both contract sales organisations and direct recruits, were relevant to respondents.

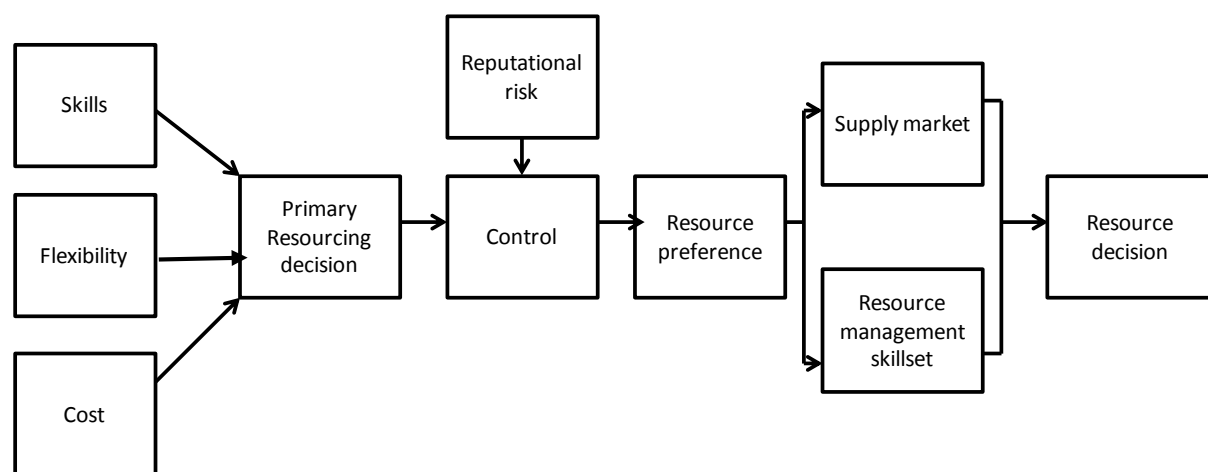


Fig 1 Model of resource decision-making

This model is the end result of this research study. It contributes to the understanding of outsourcing by providing a model of the connections between constructs previously associated only with one approach, or not tested. By exploring in depth the perceptions of sales managers about their resourcing choices brings rich linguistic data to bear on the “make-or-buy” question. As recommended by Busi and McIvor (2008), theories have been compared and combined to explore the full extent of resource decisions in the sales function. Twelve respondents who remained



engaged with three stages of verification confirmed it reflected their practice, with three commenting on the importance of the role of reputational risk. On the basis of Wood and Welch's (2010) continuum of research findings, it can be argued that this is a conceptual framework that reflects the state "something has happened" (in the experience of senior sales managers), which is worthy of discussion and provides a platform for further research.

## **5. Conclusion**

This research has elaborated a conceptual model for understanding the antecedents and moderating factors that influence how sales managers' perceive sales resourcing decisions. Previous studies have examined "all or nothing" sales outsourcing in limited contexts from a particular theoretical lens. This study has examined all possible instances of outsourcing within the sales function from a variety of theoretical angles, while accommodating respondents' own world-view. Its breadth allowed for more than one antecedent of any particular outsourcing decision to be the driver of the conceptual model, and the role of potential moderating factors has been explored.

The need to reduce costs, acquire skills or improve flexibility were primary considerations in resourcing decisions, but any choice prompted by cost, skill or flexibility comparison would be modified by the degree of reputational risk which drives the type of control required. Any preference at this stage would be modified further by the state of the supply market and the skills available to manage the resourcing choice. An interesting example to work through the model was the case of a niche player in a professional services market with a growth opportunity, where a high level of relationship management skills were required and reputational risk was high. This indicated a preference for employment, but the recruitment market was not working for the sales manager so a third party option was tried and was successful. The contractors were later taken on as employees.

It is worthy of note that the three factors “top of mind” across the sample of sales managers when making resourcing decisions were cost, skills and flexibility, consistent with Hätönen and Eriksson (2009) whose review of 30 years of the outsourcing literature concluded that cost-saving, capability enhancement and gaining flexibility were the “three main motives for outsourcing” (p146).

However, we should note that sales managers’ opinions were divided on whether or not their outsourcing options were cheaper, better skilled or more flexible than employees. Cost leaders were able to realise cost benefits from outsourcing, sales managers with experience of managing third parties were able to utilize the specific skills of third parties and/or leverage them for flexibility.

There is a “chicken and egg” situation, which is why “resource management ability” is identified as a moderating factor. Arguably sales managers need to be encouraged to acquire more training and experience in managing third parties as part of their resource portfolio if companies are to improve the agility of their sales models. They would also need to be able to compare the supply market for third parties with the recruitment market for salespeople. Both have their challenges but it was clear that recruitment was not an easy or time-effective option. Lack of information was a frequent complaint, suggesting that more support from the purchasing and HR function could be useful.

Transaction cost theory has been described as “the prominent ideas behind outsourcing” (Hätönen and Eriksson, 2009, p142) and much of the literature in this field focuses on the hidden costs of managing external contracts which would inhibit outsourcing to the market and prompt a preference for internal behavioural control. Williamson and Ghani (2012) commented that these costs may be a subsequent consideration. In the case of customer-facing function such as sales, where third parties need to be arm’s length brand ambassadors, sales managers’ nervousness about reputational risk was expressed quite strongly, and generated additional comment in the verification stages. To conceptualize a perceived need for control and avoidance of the hidden costs of managing third parties to adapt to customers’ needs, “reputational risk” seemed to have resonance with the

respondents. This also seemed to be considered earlier in their thinking than the practicalities of the supply market or how to manage third parties. As with all risks, it can be managed.

Deconstructing transaction costs in the sales context does not contradict the expectations of transaction cost economics, but reinforces the need to consider the hidden costs of insourcing or outsourcing. It was worthwhile adding resource-based view concepts into discussions, especially as 52% of respondents thought that access to superior skills was the dominant factor in resourcing decisions. The overlapping TCE construct of asset specificity is more helpful in explaining why sales managers split skills into categories, with the most transferable (core selling skills) being the more likely domain for outsourcing. However, TCE is much less helpful in explaining the apparent preference for outsourcing in the context of realising opportunities in uncertain environments. 69% perceived that commercial contracts were easier to change. Including real options as a theoretical lens to guide discussion was helpful, as the assumptions of TCE that employees are more flexible does not necessarily seem to fit with modern employment law in a European Union country.

In summary, this article contributes to the outsourcing literature by exploring the phenomenon in the sales function in a qualitative study observing the subjective cause and effect of senior sales managers. There is consistency with outsourcing models in other functions, in that TCE and RBV seemed to have predictive value, but this model is focused on the sales function in particular, with its customer-facing role and granular approach to outsourcing.

## **6. Limitations**

This research has a number of limitations common to qualitative studies. The structuring of the sample was limited by the difficulty of accessing a very busy managerial elite. It has achieved

richness and depth in linguistic data, and offers unique insights into the way the sales resourcing decisions are perceived. The focus of this study has been to conceptualise a model of resourcing decisions in the sales function. Given the small sample, it is not generalizable, but may be transferable. Within the time frame available, data absorption was reached and a large amount of comment was gathered. There were a number of sources of potential bias, in the sample, in the data gathering process and in the data analysis process. The steps taken to minimize bias have been discussed.

The pursuit of rationale may have been a limitation, given the power that sales managers appear to have when designing their sales departments. There may be internal political factors (McIvor, 2009), or ego factors such as empire-building (Chen et al, 2008) which also moderate sales outsourcing. These may be more clearly perceived by managers on the receiving end of sales manager's recommendations than by the sales managers themselves. Therefore qualitative studies of perceptions of sales outsourcing with financial or purchasing managers as respondents may make an interesting contribution to this field.

All the respondents in this study were senior sales managers based in the UK, although many of them had pan-European or global experience and references were made to other countries. It would be expected that senior people in large companies have international experience, but nevertheless, it must be acknowledged that all respondents came from a single national culture and therefore some national bias may affect these findings.

## **7. Further research**

Besides quantitative testing of the conceptual framework, some nuances of sales management emerged from this research meriting further exploratory study.

The study established that the skills required to manage through third parties differ from the skills needed to coach employees to better performance. However, most respondents felt that they were not well-equipped to discuss the skills of managing third parties, other than references to compliance control. Case studies of the management of third parties in the sales function, including scenarios where third party effort has to be integrated with that of employees (such as employees of value-added resellers working on key account teams, or contractors providing desk-based support to key account teams) would be a useful contribution to knowledge.

Also, it was not the intention of this study to examine the relationship between a sales manager and their reporting staff. However, it was clear from some respondents that there is a strong bond between sales managers and salespeople. They enjoy their role as leader and coach, and the coaching of employees to achieve higher levels of performance is part of their identity as a sales manager. It seems that the majority of the leader-member exchange studies focus on the way that employees perceive their managers. In the sales function, there seems to be a rich source of knowledge to be tapped about how managers perceive their responsibilities to their reporting staff.

If true flexibility is to be achieved in sale resourcing, opportunity realisation will often involve transition from one resourcing option to another. Changes need to be prompt and objective, but respondents have observed both employee resistance to change and contractor opportunism. Providing the right foundation for changing resourcing models must be important to sales managers. Case study research seems to be the appropriate method for examining these phenomena.

Finally, it was reported by many participants that the information available to them in making resourcing decisions was inadequate. Comparisons of the richness of information available for make-

or-buy decisions in different functions, such as production, logistics, IT and sales, could produce interesting insights.

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